



## Report of Shari'ah Board (For the year ended 2017)

### Dubai Islamic Bank Pakistan Limited



الحمد لله رب العالمين، والصلوة والسلام على خاتم الأنبياء والمرسلين، وعلى آله وأصحابه أجمعين، وبعد

By the Grace of Almighty Allah (S.W.T), Dubai Islamic Bank Pakistan Limited (DIBPL) has completed another year of successful operations and played its part well, for the growth of Islamic banking and finance industry.

During the year, DIBPL developed a number of Islamic banking products and executed multiple transactions after due approval from the Shari'ah Board (SB). The SB received queries and issues from different departments of the Bank and in response, issued appropriate pronouncements, instructions and guidelines thereon.

#### 1. New Product Development and Review of Transactions:

The SB reviewed all transaction proposals submitted to it and provided guidance on the structures as well as the relevant transactional documentation. All the products, transactions and their documentation were duly approved by the SB. The Board also provided Shari'ah advice and fatwa on restructuring and documentation of various transactions.

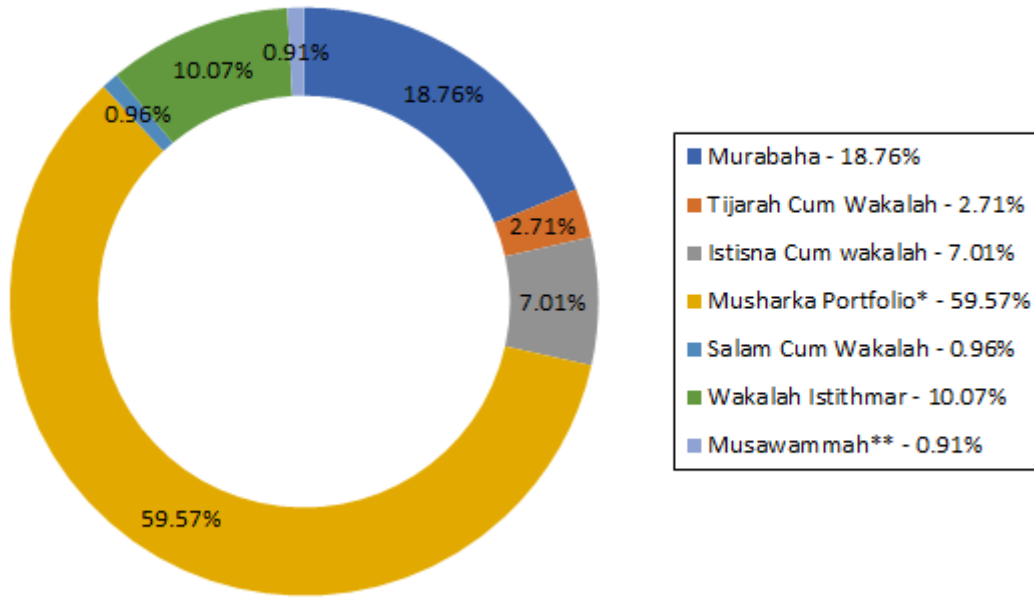
SB through Resident Shari'ah Board Member (RSBM) guided the business functions of the Bank on developing a number of new products. It also approved the new initiatives launched during the year that enabled the Bank to offer Shari'ah compliant products and services in line with the customers' needs in the market.

New policies and manuals submitted for Shari'ah approval were reviewed, amended and approved by the SB. Similarly, amendments proposed in the existing policies, product programs and other documentation of the Bank were reviewed and approved by the Shari'ah Board.

#### 2. Financing Portfolio

DIBPL has a diversified Shari'ah compliant financing products portfolio including but not limited to Diminishing Musharaka, Running Musharka, Murabaha, Istisna cum Wakala, Shirkat-ul-melkcum Ijara, Wakala Istithmar, Salam cum Wakala and Tijarah cum Wakala.

Following is the mode wise breakup of the Bank's Financing portfolio as of December 2017.



\*Musharaka portfolio mainly comprises of Shirkat ul Melk cum Ijara, Running Musharaka and Diminishing Musharaka

\*\*Musawammah portfolio mainly comprises of Personal finance and consumer durable finance.

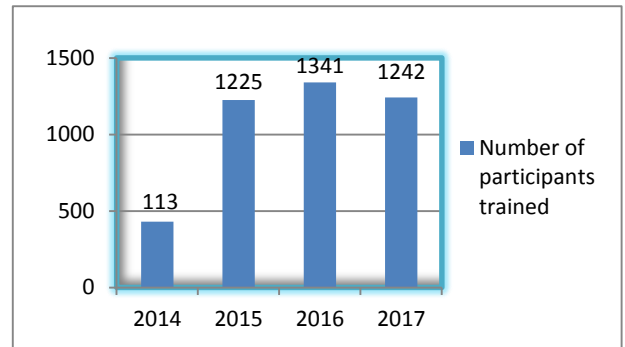
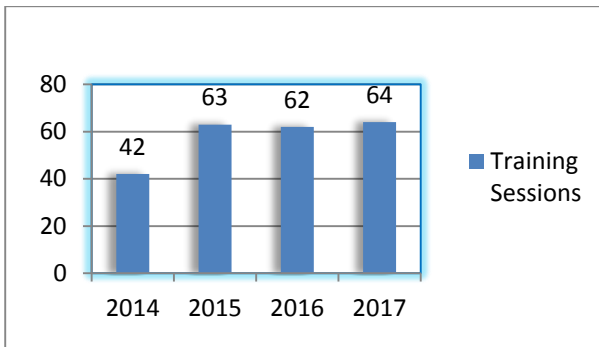
### 3. Training & Development:

DIBPL's Shari'ah Team with support of Human Resources dept., has been continuously working hard to educate the employees of the bank. As an outcome, this year, total 64 Shari'ah related training sessions were held across Pakistan; which shows consistency as compared to the previous year 2016.

These training sessions were conducted either internal or external sessions keeping in view the specific knowledge requirements of the audience e.g.:

- Shari'ah Orientation Session (Refresher Course)
- Product Specific Trainings for different front and back office units.
- Islamic Financial Contracts.
- Shari'ah Training for sales staff.
- DIB Certified Islamic Banker Training Program (6-Days Comprehensive).

We are hopeful that further Shari'ah training programs and sessions will introduce in order to strengthen the Islamic knowledge and awareness of our employees of the Bank.



#### 4. Shari'ah Audit and Review:

Shari'ah Board confirms to have examined, through the Internal Shari'ah Audit activity under its supervision and guidance of Shari'ah Board, each class of transaction on sampling basis. The board has reviewed Shari'ah audit reports pertaining to the Bank's operations during the year, issued its directives and took corrective measures. In some instances, impermissible profits were also transferred to charity during the year.

As per the previous Shari'ah Board observations regarding the significant percentage of assets of the bank are covered through Conventional Insurance, in this regard improvements were observed. However, it is strongly recommended that the bank should cover all its assets from Takaful companies or obtain explicit waiver from Shari'ah Department.

#### 5. Charity:

The bank has a well-defined system in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shari'ah have been credited to charity account and are being properly utilized. In this regard, during the year, PKR 1.943 million were transferred to the Charity Payable Account. Moreover, PKR 5.3 million were disbursed from the Charity Account. Details of Charity disbursements are available in notes to the financial statements of the Bank.

#### 6. Significant Shari'ah Related Issues

All financing and investment activities of DIBPL are substantially in accordance with the principles of Shari'ah as interpreted and applied by its Shari'ah Board. However, there is a margin of improvement in execution process in relation to the commodity Murabaha Product. DIBPL has already (in consultation with the Shari'ah Board) initiated remedial measures to improve the execution process in respect of the Commodity Murabaha.

#### 7. Conclusion & Recommendations:

While the Board of Directors and Executive Management are solely responsible to ensure that the operations of **Dubai Islamic Bank Pakistan Limited (DIBPL)** are conducted in a manner that comply with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of the Bank.



To form our opinion as expressed in this report, the Shari'ah Compliance Department of the bank carried out reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, we have also reviewed the reports of the internal Shari'ah audit. Based on above, we are of the view that:

- a. The Bank has complied with Shari'ah rules and principles in the light of fatawa, rulings and guidelines issued by its Shari'ah Board.
- b. The Bank has complied with directives, regulations, instructions and guidelines related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
- c. The bank has a comprehensive mechanism in place to ensure Shari'ah compliance in their overall operations.
- d. The Bank has complied with the SBP instructions on profit and loss distribution and pool management.
- e. Shari'ah Board has been provided adequate resources enabling it to discharge its duties effectively.

SB recommends that the bank should continue to spread Islamic banking knowledge through conducting awareness seminars to its clientele and general public as well as to enrich the existing Shari'ah knowledge of its employees with special focus on its front-end staff.

**Dr. Hussein Hamed Hassan**  
Chairman Shari'ah Board  
Dubai Islamic Bank Pakistan

**Mian Muhammad Nazir**  
Shari'ah Board Member  
Dubai Islamic Bank Pakistan

**Mufti Muhammad Hassaan Kaleem**  
Resident Shari'ah Board Member  
Dubai Islamic Bank Pakistan